

# Inspector General

United States  
Department of Defense



Air Force Military Personnel Entitlement  
Pay in Support of Contingency Operations

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## Acronyms and Abbreviations

AFB	Air Force Base
AFFSC	Air Force Financial Service Center
DFAS	Defense Finance and Accounting Service
DJMS	Defense Joint Military Pay System
DOD FMR	Financial Management Regulation
EIM	Enterprise Information Management
FMFIA	Federal Manager's Financial Integrity Act
FSA	Family Separation Allowance
FSO	Financial Services Office
HDP	Hardship Duty Pay
HFP	Hostile Fire Pay
IDP	Imminent Danger Pay
MIC	Manager's Internal Control
OMB	Office of Management and Budget
RAD	Remote Access Drive



INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-4704

August 23, 2010

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)/CHIEF FINANCIAL OFFICER  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING  
SERVICE

SUBJECT: Air Force Military Personnel Entitlement Pay in Support of Contingency  
Operations (Report No. D-2010-077)

We are providing this report for review and comment. We considered management comments on a draft of this report when preparing the final report.

DOD Directive 7650.3 requires that all recommendations be resolved promptly. We request the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide comments on Recommendations 1 and 2 by September 23, 2010.

If possible, please send a .pdf file containing your comments to [auddbo@dodig.mil](mailto:auddbo@dodig.mil). Copies of management comments must contain the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 601-5868 (DSN 329-5868).

*Patricia A. Marsh*  
Patricia A. Marsh, CPA  
Assistant Inspector General  
Defense Business Operations







# Results in Brief: Air Force Military Personnel Entitlement Pay in Support of Contingency Operations

## What We Did

Our objective was to determine whether Air Force military personnel entitlement pay disbursed in support of contingency operations was paid in accordance with established laws and regulations. Specifically, we determined whether entitlement pay disbursed for Air Force military personnel on active duty status and processed at the Air Force Financial Service Center (AFFSC) was paid accurately and timely.

## What We Found

AFFSC did not always have complete documentation to support amounts paid for Air Force military personnel entitlement pay in support of contingency operations. Specifically, the AFFSC could not adequately support contingency operation entitlements for 34 of the 70 Air Force military personnel reviewed. The 34 Air Force military personnel entitlements account for \$57,595 of the \$161,278 contingency operation entitlement payments reviewed.

AFFSC also did not stop payments timely and did not always pay Air Force military personnel accurately. Continuing the contingency operation entitlement pay resulted in collection actions to correct erroneous payments for 8 of the 70 Air Force military personnel reviewed.

In addition, AFFSC underpaid 25 of the 70 Air Force military personnel reviewed and overpaid 5 of the 70 Air Force military personnel reviewed by nominal amounts.

These conditions occurred because the AFFSC did not establish a Manager's Internal Control (MIC) program and an adequate Quality Control

Examination Program to ensure documents were available to support contingency operation entitlement payments. As a result, AFFSC made improper payments. In addition, the lack of supporting documentation limited the Air Force's ability to detect overpayments and underpayments, stop payments timely, and discover improper payments and fraud.

## What We Recommend

We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) require the Director of AFFSC to:

- establish a MIC program at AFFSC;
- develop an adequate Quality Control Examination Program;
- obtain all required documentation for the contingency operation entitlement payments;
- make payments to Air Force military personnel for the amounts underpaid; and
- collect overpayments from Air Force military personnel for the amounts overpaid.

## Management Comments and Our Response

The Commander, AFFSC, responding for the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed with all recommendations. The comments to recommendations 3, 4, and 5 were responsive. The comments to recommendations 1 and 2 were partially responsive. We request that Air Force reconsider its position and provide additional comments by September 23, 2010. Please see the recommendations table on the back of this page.

## Recommendations Table

Management	Recommendations Requiring Comments	No Additional Comments Required
Assistant Secretary of the Air Force (Financial Management and Comptroller)	1 and 2	3, 4, and 5

**Please provide comments by September 23, 2010.**

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# Introduction

## Objective

Our objective was to determine whether Air Force military personnel entitlement pay disbursed in support of contingency operations was paid in accordance with established laws and regulations. Specifically, we determined whether entitlement pay disbursed for Air Force military personnel on active duty status and processed at the Air Force Financial Service Center (AFFSC) was paid accurately and timely. See Appendix A for a discussion of the scope and methodology and for prior coverage related to the objectives.

## Background

The Air Force provides a significant part of the air support and air transportation for units in Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom in Iraq. The Air Force employs more than 335,000 active duty personnel including officers and enlisted members.

### ***Defense Joint Military Pay System***

The Air Force processes military pay through the Defense Joint Military Pay System (DJMS), which is controlled and maintained by Defense Finance and Accounting Service (DFAS).<sup>1</sup> DJMS supports military pay and contingency operation entitlement pay for Air Force military personnel. According to DFAS representatives, the total contingency operation entitlement pay for Air Force military personnel for FY 2008 was \$197 million. Specifically, the Air Force spent approximately \$31 million for Hardship Duty Pay (HDP), \$87 million for Hostile Fire Pay/Imminent Danger Pay (HFP/IDP), and \$79 million for Family Separation Allowance (FSA). The AFFSC and Financial Services Offices (FSOs) at Air Force bases (AFBs) update pay data in DJMS.

### ***Air Force Financial Management Transformation Program Office***

According to the Air Force Audit Agency, the Air Force Financial Management Transformation program office managed the initial effort to centralize travel and military pay processing. The program office formed a Financial Service Transformation team responsible for developing and executing an implementation plan. The plan established a central processing center at AFFSC; the plan included transferring workload from 93 AFB-level FSOs to AFFSC. In June 2008, the Deputy Assistant Secretary for Financial Operation assumed responsibility for managing the overall transformation effort.

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<sup>1</sup> As of May 2010, DFAS Denver was in the process of closing, and the DJMS System Management and Software Development functions will be transferred to DFAS Indianapolis. DJMS will continue to be hosted at the Defense Information Systems Agency Processing Center, Mechanicsburg, Pennsylvania.

## ***Air Force Financial Service Center***

AFFSC is a Field Operating Agency of the U.S. Air Force. AFFSC is located at Ellsworth Air Force Base near Rapid City, South Dakota. Its mission is to centrally process all military pay and travel pay transactions for active duty Air Force military personnel and civilian employees, and answer financial service questions from Air Force FSOs. The AFFSC commander reports to the Deputy Assistant Secretary of the Air Force for Financial Operations. The Air Force established AFFSC in September 2007. The Air Force is in the process of transferring travel and military pay processing from 93 active duty base-level FSOs to AFFSC.

## ***Financial Services Office***

FSOs are responsible for reviewing entitlement pay documents of military personnel for accuracy and proper supporting documentation. Specifically, FSOs must research and audit an Air Force member's master military pay account before encoding the data into DJMS. FSOs must encode and certify, when applicable, all military pay documents. FSOs must ensure they properly identify military pay documents when creating Enterprise Information Management (EIM) bar-code scan sheets with the appropriate customer type. FSOs then scan all documents into the EIM system and submit the information to the AFFSC Central Processing Center. The EIM is an electronic document management system that automatically routes documents to the correct AFFSC processing team in accordance with the FSO-prepared bar-code scan sheet. FSOs are required to submit applicable back-up documentation if the military pay document was not certified at the FSO. Each FSO must maintain copies of all scanned documents for 90 days. EIM is the official system of record, which will store all documents for the required 6 years and 3 months. FSOs are no longer required to maintain long-term paper copies of documents once they are submitted to AFFSC.

When EIM initially failed in November 2007, the AFFSC Information Technology team developed the Remote Access Drive (RAD). RAD is a file transfer system; it is not a document management system. RAD consists of a series of electronic folders for transferring files from AFB-level FSOs to the AFFSC for processing and payment. At initial implementation, each FSO had access to nine different electronic folders on an AFFSC drive. The folders corresponded to the different payment processing types. These files were then manually transferred to another drive for AFFSC team lead access. AFFSC team leads subsequently transferred files to individual technicians for processing. Because of the need to move electronic documents manually by computer and the number of personnel with access, RAD's limitations included the possibility of misplacing document files, losing document files, and accidentally deleting document files. Additionally, FSOs had no visibility of their submitted documents.

RAD was not used when EIM operations were restored in February 2008. However, RAD was deployed again with enhanced automated features when EIM failed in May 2009, but it remains a files transfer system. The enhanced features included reducing the folders on the AFFSC drive from nine to two and a scripted move of documents from one AFFSC drive to another to eliminate manual movement.

In addition, the RAD keeps copies of documents for 30 days to allow recovery of misplaced, lost, or deleted documents, and keeps a document log to allow FSOs to ensure documents were received by AFFSC. Additionally, FSOs are required to retain their document records long term, either electronically scanned documents or paper documents, for 6 years and 3 months. RAD will continue to be the back-up contingency system to support AFFSC operations after EIM operations are restored and stabilized.

## **Review of Internal Controls**

DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for AFFSC as defined by DOD Instruction 5010.40. AFFSC did not have complete documentation to support amounts paid for Air Force military personnel entitlement pay in support of contingency operations. In addition, AFFSC did not stop contingency operation entitlement payments timely and did not always accurately pay Air Force military personnel.

Recommendations 1 through 5, if implemented, will establish a MIC program and an adequate Quality Control Examination Program to ensure proper documentation is available for review; help to prevent overpayments and underpayments; initiate payment actions for underpayments; and initiate collection actions for overpayments. We will provide a copy of the report to the senior official(s) responsible for internal controls.

# **Finding. Internal Controls Over Air Force Military Personnel Entitlement Pay in Support of Contingency Operations**

AFFSC did not always have complete documentation to support amounts paid for Air Force military personnel entitlement pay in support of contingency operations. Specifically, the AFFSC could not adequately support contingency operation entitlements for 34 of the 70 Air Force military personnel reviewed. The 34 Air Force military personnel entitlements account for \$57,595 of the \$161,278 contingency operation entitlement payments reviewed. AFFSC also did not stop payments timely and did not always pay Air Force military personnel accurately. Continuing the contingency operation entitlement pay resulted in collection actions of \$8,915 to correct erroneous payments for 8 of the 70 Air Force military personnel reviewed. In addition, AFFSC underpaid 25 of the 70 Air Force military personnel reviewed and overpaid 5 of the 70 Air Force military personnel reviewed by nominal amounts.<sup>2</sup> These conditions occurred because the AFFSC did not establish:

- a MIC program and
- an adequate Quality Control Examination Program to ensure documents were available to support contingency operation entitlement payments.

As a result, AFFSC made improper payments. In addition, the lack of supporting documentation limited the Air Force's ability to detect overpayments and underpayments, stop payments timely, and discover improper payments and fraud.

## **Criteria**

The DOD Regulation 7000.14-R, "DOD Financial Management Regulation" (DOD FMR), volume 7A, "Military Pay Policy and Procedures-Active Duty and Reserve Pay," provides guidance for calculating HDP, HFP/IDP, and FSA contingency operation entitlement pay. See Appendix B for the DOD FMR definitions of these contingency operation entitlements and how they are calculated. DOD FMR volume 5, chapter 21, "Disbursing Office Records," provides guidance on the retention of supporting documentation. DOD FMR, volume 4, chapter 14, "Improper Payments," defines and provides guidance on improper payments.

The Assistant Secretary of the Air Force (Financial Management and Comptroller) is primarily responsible for issuing Air Force Manual 65-116, "Defense Joint Military Pay

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<sup>2</sup> Of the 70 Air Force military personnel reviewed, only 13 Air Force military personnel had their entitlement payments properly supported and paid. The remaining 57 Air Force military personnel had one or more entitlement payment problems. For example, one Air Force military member had entitlements payments that were not adequately supported and had collection actions against him.

System Active Component (DJMS-AC) FSO Procedures,” volume 1, April 1, 2007, that provides AFB-level military pay policy and procedures for the FSOs.

## **Supporting Documentation for Contingency Operations Entitlements**

AFFSC did not always have complete documentation to support amounts paid for Air Force military personnel entitlement pay in support of contingency operations. Without the appropriate supporting documentation, the Air Force should not authorize a contingency operation entitlement payment. The following paragraphs provide an overall summary on supporting documentation and individual summaries by contingency operation entitlements.

### ***Summary on Supporting Documentation***

AFFSC could not adequately support contingency operation entitlements for 34 of the 70 Air Force military personnel reviewed. The 34 Air Force military personnel entitlements account for \$57,595 of the \$161,278 contingency operation entitlement payments reviewed. Specifically, AFFSC did not maintain supporting documentation for contingency operation entitlements according to DOD FMR, volume 5, chapter 21, requires that when certifying officials send electronic payment files to a disbursing office, they must keep supporting documentation for 6 years and 3 months. However, the AFFSC did not always have supporting documentation including travel orders, travel vouchers, and DD Forms 1561, “Statement to Substantiate Payment of Family Separation Allowance.” If a copy of the travel voucher was not available, AFFSC did not have evidence that the Air Force military personnel actually completed the trip and it did not have evidence of the actual dates of the trip.

Table 1 shows, by type of contingency operation entitlement, the number and dollar amounts of the 34 Air Force military personnel entitlements that were not supported or only partially supported. The 34 Air Force military personnel reviewed had 57 contingency operation entitlement payments totaling \$57,595 that were not supported or partially supported because some Air Force military personnel had more than one contingency operation entitlement not supported or partially supported. For example, if an Air Force military member received HDP and HFP/IDP entitlement payments and a travel voucher was not furnished, neither the HDP nor the HFP/IDP entitlement payments was supported.



**Table 1. Entitlements Not Supported and Partially Supported**

	Not Supported		Partially Supported		Totals	
	Number	Amount	Number	Amount	Number	Amount
HDP	11	\$4,362	5	\$1,730	16	\$6,092
HFP/IDP	12	\$13,500	5	\$8,325	17	\$21,825
FSA	21	\$25,903	3	\$3,775	24	\$29,678
<b>Totals</b>	<b>44</b>	<b>\$43,765</b>	<b>13</b>	<b>\$13,830</b>	<b>57</b>	<b>\$57,595</b>

### ***Hardship Duty Pay***

Of the 70 Air Force military personnel reviewed, AFFSC made HDP payments totaling \$4,362 to 11 Air Force military personnel without supporting documentation and payments totaling \$1,730 to 5 Air Force military personnel with partial supporting documentation. Air Force Manual 65-116, volume 1, requires travel documents to show that Air Force military personnel traveled to qualified areas to authorize HDP. Specifically, Air Force Manual 65-116 states that Air Force personnel are required to submit their travel orders and travel vouchers to support assignment, authorization, and actual dates of deployment to a hardship duty location. An Air Force member's HDP was not supported when the file lacked both the travel orders and travel voucher necessary to support the propriety of the HDP entitlement payment. We determined HDP entitlement payments were partially supported when the file contained the travel voucher but not the travel orders.

### ***Hostile Fire Pay/Imminent Danger Pay***

Of the 70 Air Force military personnel reviewed, AFFSC made HFP/IDP payments totaling \$13,500 to 12 Air Force military personnel without supporting documentation and payments totaling \$8,325 to 5 Air Force military personnel with partial supporting documentation. Air Force Manual 65-116, states that proof of eligibility for IDP can be an approved travel voucher for travel to a designated IDP area. Air Force Manual 65-116 requires the Air Force to use Air Force Form 1881, "Hostile Fire Pay Certification," to document and authorize HFP entitlement pay. When Air Force Form 1881 is not available, DD Form 114, "Military Pay Order," may be substituted if it includes all pertinent information contained on Air Force Form 1881. Air Force Manual 65-116 states that Air Force military personnel are required to submit their travel orders and travel vouchers to support duty location in a designated HFP/IDP area and for determining the inclusive period that the member was entitled to HFP/IDP. An Air Force member's HFP/IDP was not supported when the file lacked the required forms, the travel order, and travel voucher. These documents are necessary to support the propriety of the HFP/IDP entitlement payment. We determined HFP/IDP entitlement payments were partially supported when the file contained the travel voucher but not the travel orders.

## **Family Separation Allowance**

Of the 70 Air Force military personnel reviewed, AFFSC made FSA payments totaling \$25,903 to 21 Air Force military personnel without supporting documentation and payments totaling \$3,775 to 3 Air Force military personnel with partially supporting documentation. Air Force Manual 65-116 requires Air Force military personnel to use DD Form 1561 to document and authorize FSA payments. If a copy of DD Form 1561 was not available, AFFSC did not have evidence that an Air Force member qualified to receive FSA payments. Support for a FSA payment also required DD Form 114, travel order, and travel voucher. Without these documents, an Air Force member had no supporting documentation to support FSA payment. An Air Force member's FSA was not supported when the file lacked the required forms, the travel order, and travel voucher. These documents were necessary to provide validation of the FSA entitlement payment. We determined FSA entitlement payments were partially supported when the file contained the DD Form 1561 and travel voucher but not the travel orders and DD Form 114.

## **Stopping Payments and Accurate Payments**

The AFFSC did not promptly stop contingency operation entitlement pay, which resulted in collection actions to correct erroneous payments totaling \$8,915 to 8 of the 70 Air Force military personnel reviewed. For these eight military personnel, AFFSC personnel took from 61 to 249 days to make appropriate pay changes to a member's master military pay account. Table 2 shows the number of days contingency operation entitlement pay continued after the entitlement end date and the amount of pay collected.

**Table 2. Elapsed Days and Pay Collected**

Elapsed Days <sup>1</sup> After Entitlement End Date	Amount of Pay Collected
61	\$1,463
62	1,653
67	450
75	450
88	733 <sup>2</sup>
102	675
200	1,466
249	<u>2,025</u>
	<b><u>\$8,915</u></b>
<sup>1</sup> Elapsed days equals the number of days between the entitlement ending date and the date the collection was processed in DJMS.	
<sup>2</sup> Only \$233 of the \$733 was collected; the Air Force member still owes \$500.	

The AFFSC did not always make accurate payments of contingency operation entitlement pay to Air Force military personnel. The AFFSC inaccurately paid 30 of the 70 Air Force military personnel reviewed. Specifically, AFFSC underpaid 25 of the 70 Air Force military personnel and overpaid 5 of the 70 Air Force military personnel by nominal amounts.

The AFFSC should obtain the required documentation for the 34 Air Force military members reviewed that did not have complete documentation for their contingency operations entitlement payments and review the payments to ensure they were properly paid. The Air Force should make additional payments to the 25 Air Force military personnel for the amounts underpaid and collect overpayments from the 5 Air Force military personnel for the amounts overpaid for contingency operations entitlement payments.

## **Manager's Internal Control Program and Quality Control Examination Program**

AFFSC did not have a MIC program, which is required by the Federal Financial Managers Integrity Act of 1982 as codified by Section 3512, Title 31, United States Code. In addition, the AFFSC informal Quality Control Program, including the Quality Control Examination Program, was inadequate. Because it did not have a MIC program and an adequate Quality Control Examination Program, AFFSC did not realize that it had a document retention problem, a failure to stop payments timely, and an accuracy of payments problem.

### ***Manager's Internal Control Program***

AFFSC did not have a MIC program to ensure adequate documentation existed, payments were stopped timely, and accurate payments were made. The Office of Management and Budget (OMB) Circular A-123, "Management's Responsibility for Internal Control," December 21, 2004, implements the Federal Financial Managers Integrity Act of 1982. OMB Circular A-123 states that management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, and compliance with applicable laws and regulations. In addition, management must establish a MIC program and provide a continuous assessment process over whether the objectives of the activity are being met. Furthermore, OMB Circular A-123 requires transactions to be supported by documentation that is readily available for examination and review. In addition, DOD Instruction 5010.40, "Managers' Internal Control Program Procedures," January 4, 2006, provides procedures for implementing the MIC program including reporting, assigning responsibility, and organizing.

The AFFSC should establish a MIC program. A MIC program may have detected these internal control weaknesses including the failure to maintain adequate documentation, stop contingency operation entitlement payments promptly, and make accurate payments.

In addition, a MIC program would provide a continuous assessment and improve the AFFSC overall process for the Air Force military personnel contingency operation entitlement pay.

### ***Quality Control Examination Program***

AFFSC did not have an adequate Quality Control Examination Program to ensure sufficient documentation existed, payments were stopped timely, and accurate payments were made. For example, AFFSC did not have reports and adequate metrics to ensure sufficient documentation existed to support timely processing and accurate Air Force military personnel entitlement pay in support of contingency operations.

In addition, AFFSC issued four different versions of business rules that impacted processing Air Force military personnel entitlement pay in support of contingency operations. These business rules changed document retention requirements for the FSOs submitting documents to AFFSC. Since EIM was the official system of record required to maintain documents for 6 years and 3 months, FSOs were no longer required to maintain paper copies of documents once they were scanned and submitted to AFFSC for processing and payment.

The AFFSC processing of Air Force military personnel entitlement pay in support of contingency operations was impacted by AFFSC's inefficient process flows. The AFFSC's processes were modeled on the AFB-level FSO processes. However, once AFFSC operations were underway, military pay-related processes, that had proven effective for years at the AFB-level FSOs operating environment, proved ineffective in the consolidated operating environment. Furthermore, in anticipation of quickly transferring workload from the AFB-level FSOs to AFFSC, the Air Force Financial Services Transformation team relocated experienced financial services personnel to AFFSC from FSOs in advance of work force authorizations. As of May 2008, 330 personnel were assigned to AFFSC, while plans indicated that 550 personnel would be needed to support full operations. As of May 2008, the AFFSC was servicing 40 of the 93 AFB-level FSOs. During our review, AFB-level FSO personnel expressed concern that delays in processing entitlement pay degraded customer service. AFFSC needs to establish an adequate Quality Control Examination Program to review results of transactions for adequacy of documentation, timely processing of payments, and accuracy of payments.

### **Improper Payments**

AFFSC did not always have complete documentation to support amounts paid for contingency operation entitlements. In addition, AFFSC did not stop contingency operation entitlement payments timely and did not always pay Air Force military personnel accurately. DOD FMR, volume 4, chapter 14, states an improper payment is any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. An improper payment includes any payment that was made to an ineligible recipient or

for an ineligible service, and payments for services not received. Incorrect amounts include overpayments and underpayments. In addition, when a DOD organization is unable to discern whether a payment is proper because of insufficient or lack of documentation, that payment must also be considered an error. Furthermore, the lack of supporting documentation limits the Air Force's ability to detect overpayments and underpayments, stop payments timely, and discover improper payments and fraud.

AFFSC is the designated future location for processing military pay and travel transactions for the Air Force. The AFFSC needs to timely and accurately process payments for contingency operation entitlements to avoid adverse impacts on Air Force military personnel and their dependents when errors occur in processing their entitlement pay. AFFSC needs to take additional steps to ensure that Air Force military personnel entitlement pay is adequately processed.

## **Management Comments on the Finding and Our Response**

The Commander, Air Force Financial Services Center (AFFSC), responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), provided comments on the finding.

### ***Commander, Air Force Financial Services Center, Comments on the Finding***

The Commander, AFFSC, agreed with the finding. The Commander stated that AFFSC had an active Quality Assurance Program but did not have a formal MIC program beyond providing the Annual Statement of Assurance to the Secretary of the Air Force.

The Commander also stated that only one set of business rules is currently being used by AFFSC and FSOs, ensuring more consistency. In addition, the Air Force Accounting and Finance Office is now responsible for issuing and managing the business rules.

### ***Our Response***

Our report stated that the AFFSC Quality Assurance Program was inadequate. We reviewed the documentation provided and determined that the AFFSC Quality Control Examination Program did not have reports and metrics to ensure adequate documentation existed to support timely processing and accurate Air Force military personnel entitlement pay in support of contingency operations.

We agree that having only one set of business rules for AFFSC and the FSOs will improve consistency between parties. We also support the Air Force decision to make the Air Force Accounting and Finance Office responsible for issuing and managing the business rules.

## **Recommendations, Management Comments, and Our Response**

**We recommend that the Assistant Secretary of the Air Force (Financial Management and Comptroller) require the Commander, Air Force Financial Service Center to:**

**1. Establish a Manager's Internal Control program at the Air Force Financial Services Center in accordance with Office of Management and Budget Circular A-123 and DOD Instruction 5010.40.**

### ***Commander, Air Force Financial Services Center Comments***

The Commander, Air Force Financial Services Center (AFFSC), responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed. She stated that AFFSC has established a Manager's Internal Control program. The Commander also stated that a copy of the Manager's Internal Control program was provided to the audit team in April 2010, and an Air Force Inspection Agency inspection did not find any discrepancies. The Commander considers this recommendation closed.

### ***Our Response***

The Air Force comments are partially responsive. The AFFSC did not have a Manager's Internal Control program at the time of our audit, and the Manager's Internal Control program developed in response to our finding was inadequate. The AFFSC Manager's Internal Control program established two assessable units (the Central Process Center and the Command Section) with 28 assessable functions. However, none of the 28 assessable unit functions were related to ensuring that adequate documentation exists, entitlement payments are stopped timely, and entitlement payments are accurate. Furthermore, none of the assessable unit functions identified control objectives, applicable criteria, risk, testing, testing results, and review schedules. We ask that the Air Force reconsider its position and provide additional comments.

**2. Develop an adequate Quality Control Examination Program at the Air Force Financial Service Center to ensure documents are available to support entitlement payments and prevent overpayments and underpayments for contingency operations.**

### ***Commander, Air Force Financial Services Center Comments***

The Commander, AFFSC, responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed. The Commander stated that a Quality Control Examination Program does exist at AFFSC. In addition, the AFFSC will use the FM Workflow (Enterprise Information Management replacement) in FY 2011. The Commander also stated that AFFSC will continually review its procedures to ensure adequate documentation exists, entitlement payments are stopped timely, and entitlement payments are accurate. Furthermore, AFFSC quality assurance will review processed



transactions monthly as part of the Manager's Internal Control program and notify the Central Processing Center of errors and areas where training is required. The Commander estimates a completion date of January 1, 2011.

### ***Our Response***

The Air Force Comments are partially responsive. Our report stated that the AFFSC Quality Control Examination Program was inadequate. The Quality Control Examination Program did not have reports and metrics to ensure adequate documentation existed to support timely processing and accurate Air Force military personnel entitlement pay in support of contingency operations. Furthermore, the AFFSC Quality Control Examination Program did not identify causes, make recommendations, or provide reports on the results of its reviews. We ask that Air Force reconsider its position and provide additional comments regarding the adequacy of the Quality Control Examination Program.

**3. Obtain all the required documentation for the 34 Air Force military personnel that were lacking documentation for their contingency operations entitlement payments and review the payments to ensure the contingency operations entitlement payments were properly paid.**

### ***Commander, Air Force Financial Services Center Comments***

The Commander, AFFSC, responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed. The Commander stated that AFFSC personnel have requested documentation from the Financial Services Offices; when they receive the documentation, they will review and adjust the records if necessary. The Commander estimates a completion date of October 1, 2010.

### ***Our Response***

The Air Force comments are responsive and meet the intent of our recommendations. No further comments are required.

**4. Make additional payments to the 25 Air Force military personnel for the amounts underpaid for contingency operations entitlement payments.**

### ***Commander, Air Force Financial Services Center Comments***

The Commander, AFFSC, responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed. The Commander stated that AFFSC personnel have retrieved supporting documentation from storage and will audit, code, and process additional payments, as applicable. The Commander estimates a completion date of October 1, 2010.

### ***Our Response***

The Air Force comments are responsive and meet the intent of our recommendations. No further comments are required.

**5. Collect overpayments from the five Air Force military personnel for the amounts overpaid for contingency operations entitlement payments.**

***Commander, Air Force Financial Services Center Comments***

The Commander, AFFSC, responding on behalf of the Assistant Secretary of the Air Force (Financial Management and Comptroller), agreed. The Commander stated that AFFSC personnel have retrieved supporting documentation from storage and will audit, code, and establish debt if the amounts exceed thresholds established by DOD Financial Management Regulation and the Air Force Manual. The Commander estimates a completion date of October 1, 2010.

***Our Response***

The Air Force comments are responsive and meet the intent of our recommendations. No further comments are required.

## **Appendix A. Scope and Methodology**

We conducted this performance audit from August 2008 through June 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We obtained criteria and conducted interviews to determine the current processes at AFFSC and FSOs at the time of our audit. We examined the FY 2008 Air Force's military personnel pay entitlements in support of contingency operations and the related internal controls for entitlements processed through AFFSC. We selected and reviewed a non-statistical sample of 70 Air Force military members that had transactions processed at AFFSC because the Air Force is transferring military pay and travel pay processing from 93 active duty base-level Financial Services Offices to AFFSC. We reviewed amounts paid for HDP, HFP/IDP, and FSA. We reviewed copies of Air Force Service members' travel orders; travel vouchers; Air Force Forms 1881, "Hostile Fire Pay Certification;" and DD Forms 1561, "Statement to Substantiate Payment of Family Separation Allowance." We verified the calculations of the 70 non-statistically sampled members' HDP, HFP/IDP, and FSA by comparing the amounts we calculated against the Leave and Earnings Statements in DJMS.

### **Use of Computer-Processed Data**

We used computer-processed data obtained from DJMS. These computer-processed data were used to obtain the amounts paid to Air Force military personnel for contingency operation entitlements including HDP, HFP/IDP, and FSA. These computer-processed data were also used to determine the collection actions taken by the Air Force to recover contingency operation entitlements paid in error and the length of time the Air Force took to collect these overpayments. We determined data reliability by comparing the data provided to us from DJMS leave and earnings statements with source documents, such as travel vouchers, and applicable DD Forms. We did not find errors that would preclude the use of the computer-processed data to meet the audit objectives or that would change the conclusions in the report.

### **Use of Technical Assistance**

The DOD Office of Inspector General Quantitative Methods and Analysis Division assisted with this audit. The Quantitative Methods and Analysis Division selected a non-statistical sample of 70 Air Force military personnel whose military pay included entitlements in support of contingency operations from DJMS. AFFSC was responsible for maintaining the supporting documentation for these 70 Air Force military personnel.

## **Prior Coverage**

During the last 5 years, the Government Accountability Office, the DOD Inspector General, the Army Audit Agency, and the Air Force Audit Agency have issued seven reports discussing military pay disbursed in support of contingency operations. Unrestricted Government Accountability Office reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DOD Inspector General reports can be accessed over the Internet at <http://www.dodig.mil/audit/reports>. Unrestricted Army reports can be accessed from .mil and .gao.gov domains over the Internet at <https://www.aaa.army.mil/>. Unrestricted Air Force reports can be accessed from .mil domains over the Internet at <https://afkm.wpafb.af.mil/ASPs/CoP/OpenCoP.asp?Filter=OO-AD-01-41> by those with Common Access Cards.

### **GAO**

GAO Report No. GAO-06-494, “Hundreds of Battle-Injured GWOT Soldiers Have Struggled to Resolve Military Debts,” April 27, 2006

GAO Report No. GAO-06-384R, “Controls Fail to Stop Overpayments,” April 27, 2006

GAO Report No. GAO-04-990T, “Army Reserve Soldiers Mobilized to Active Duty Experienced Significant Pay Problems,” July 20, 2004

### **DOD IG**

DOD IG Report No. D-2009-079, “Controls Over the Department of the Navy Military Payroll Disbursed in Support of the Global War on Terror,” May 7, 2009

### **Army**

U.S. Army Audit Agency Report No. A-2006-0067-FFM, “Military Pay for Operation Enduring Freedom/Operation Iraqi Freedom Active Components,” April 5, 2006

U.S. Army Audit Agency Report No. A-2006-0079-FFM, “Material Weakness Closeout on Line of Duty and Incapacitation Pay,” March 8, 2006

### **Air Force**

Air Force Audit Agency Report No. F2009-0005-FB1000, “Air Force Financial Services Transformation,” June 22, 2009

## **Appendix B. Military Pay Policy**

DOD FMR, volume 7A, provides criteria for Hardship Duty Pay, Hostile Fire Pay/Imminent Danger Pay, and Family Separation Allowance.

### ***Hardship Duty Pay***

DOD FMR, volume 7A, chapter 17, “Special Pay-Hardship Duty,” states “the Secretary of Defense has established that HDP shall be paid to members for performing a designated hardship mission, when assigned to a designated location” (Location Assignment Entitlement). Specifically, Location Assignment Entitlement is paid for Permanent Change of Station or Temporary Duty for more than 30 days in designated locations. HDP ranges from a minimum of \$50 to a maximum of \$150 per month according to location, and is paid on a daily pro rata basis after being in a designated location for 30 days. The HDP rates are \$100 per month for Iraq, Afghanistan, and Kuwait, and \$50 for Qatar. During the first month at an HDP qualifying location, HDP is calculated by subtracting the day of arrival from 31. If the Air Force military member arrives on the 31st of the month, the individual does not receive entitlement pay for the first month. During intermediate months, the Air Force military member receives HDP for 30 days for each complete month. During the final month, the Air Force military member receives credit for the number of days at the HDP location. For example, if the Air Force military member leaves the HDP qualifying location on the third day of the month, the individual would receive HDP for 3 days for that month.

### ***Hostile Fire Pay/Imminent Danger Pay***

DOD FMR, volume 7A, chapter 10, “Special Pay-Duty Subject to Hostile Fire or Imminent Danger,” states, “a member may be paid special pay for duty subject to hostile fire or imminent danger for any month the member meets the qualifying criteria.” HFP is payable when a member is: subject to hostile fire or explosion; on duty in an area in close proximity to a hostile fire incident; or killed, injured, or wounded by hostile fire, explosion, or actions. IDP is payable when a service member is on official duty in a designated IDP area. HFP/IDP is an additional \$225 per month. Proof of eligibility for IDP can be an approved travel voucher for travel to a designated IDP area. Chapter 10 designates the following areas to be IDP areas: Afghanistan, Bahrain, Egypt, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia. The amount paid is on a per month basis without daily pro rating. For example, if an Air Force Service member travels to an IDP area for a 3-day mission, the member is eligible for the \$225.

### ***Family Separation Allowance***

DOD FMR, volume 7A, chapter 27, “Family Separation Allowance (FSA),” states “FSA is payable only to members with dependents and is payable in addition to any other allowance or per diem to which a member may be entitled.” FSA is payment for added expenses resulting from forced separation from dependents. FSA is paid at a rate of \$250 per month, and it is calculated on a daily pro rata basis. FSA begins when the military member leaves home base, and ends the day before returning to the home base. For the first month, subtract the day of the month from 31. For example, if the Air Force

military member began travel qualifying for FSA on January 16, the member would receive FSA for 15 days in January. During the months between the Air Force military member's first and last months of travel qualifying for FSA, the Air Force military member receives FSA for 30 days of every complete month. During the final month of travel qualifying for FSA, the Air Force military member receives FSA for the number of days of the month the member has been on assignment away from the home base until returning to the home base, excluding the day that the member returns to the home base. For example, if the Air Force military member returns home on February 3, the military member receives FSA for 2 days in February.



# Air Force Financial Services Center Comments



Office Of The Assistant Secretary

## DEPARTMENT OF THE AIR FORCE WASHINGTON, DC

16 July 2010

### MEMORANDUM FOR DEPARTMENT OF DEFENSE (DOD) OFFICE OF THE INSPECTOR GENERAL

FROM: Air Force Financial Services Center (AFFSC)  
Ellsworth AFB, SD

SUBJECT: DOD IG Audit D2008-D000FP-0252.000 Air Force Military Personnel  
Entitlement Pay in Support of Contingency Operations

This is in reply to your memorandum requesting the Assistant Secretary of the Air Force (Financial Management and Comptroller) provide Air Force comments on subject report.

#### **Finding: Internal Controls Over Air Force Military Personnel Entitlement Pay in Support of Contingency Operations**

**Management Comments:** Concur with comments.

During the audit period, AFFSC had an active Quality Assurance Program in place; however, a formal Manager's Internal Control (MIC) Program had not been established beyond the provision of annual Statements of Assurance to SAF/FMP. During the audit period, the inspectors did not interview the AFFSC Quality Assurance Manager who could have expanded upon the internal controls and discussed the Quality Assurance Program.

The audit noted the AFFSC's issuance of four different versions of business rules that impacted processing Air Force military personnel entitlement pay in support of contingency operations. Since the audit, the business rules issuance and management has been placed under the purview of the Air Force Accounting and Finance Office. Therefore, only one version is now used by AFFSC and Financial Services Offices (FSO), ensuring more consistency between all parties.

**Recommendation 1:** Establish a Manager's Internal Control Program at the Air Force Financial Services Center in accordance with Office of Management and Budget Circular A-123 and DOD Instruction 5010.40.

**Management Comments:** Concur.

**Corrective Action:** The AFFSC formally implemented a Manager's Internal Control Program as of 17 Mar 10; a copy of the program information was provided to [REDACTED] DODIG on 5 Apr 10. Additionally, the Manager's Internal Control Program was reviewed during the Mar 10 Air Force Inspection Agency inspection with zero discrepancies. Lastly, the FY10 Statement of Assurance was submitted to SAF/FMP on 9 Jun 10. (Closed)

**Recommendation 2:** Develop an adequate Quality Control Examination Program at the Air Force Financial Services Center to ensure documents are available to support entitlement payments and prevent overpayments and underpayments for contingency operations.

**Management Comments:** Concur with comments. The Quality Control Examination Program does exist at the AFFSC; however due to the processing centralization, the organization and functions differ from the Quality Examination Program at the FSO. As noted in the report, EIM was developed to be a document tracking system for all FSO documents submitted to AFFSC for processing. When EIM failed, we were forced to implement contingency measures using a Remote Access Drive (RAD) to manage document flow. Since RAD is a file transfer system vice document management system, we were faced with additional challenges in ensuring documentation retention.

**Corrective Action:** AFFSC will return to FM Workflow (EIM replacement) in FY11 which will provide an official system of record for document tracking. However, until FM Workflow is back in place, we will continually review our procedures to ensure documents processed are accurate, timely and contain adequate documentation. Under RAD, we will continue to review and evaluate quality examination procedures. Currently, AFFSC Team leads distribute documents from the network drive for processing. If documentation is missing, the technician logs the document set and returns it to the FSO for action. If no errors are found, the transaction is processed, audited and transmitted to DJMS in the end-of-day process. Training is ongoing to ensure that technicians and auditors understand what documentation is required to support entitlement payments for contingency operations. Once documents are processed, they are archived on network drives and are available for additional reviews, as required. Lastly, Quality Assurance performs a monthly review of processed transactions as part of the MICP and notifies the Central Processing Center of errors and areas where training is required. (ECD: 1 Jan 11)

**Recommendation 3:** Obtain all the required documentation for the 34 Air Force military personnel that were lacking documentation for their contingency operations entitlement payments and review the payments to ensure the contingency operations entitlement payments were properly paid.

**Management Comments:** Concur.

**Corrective Action:** Required documentation was requested from affected FSOs. Upon receipt of documentation, records will be reviewed and adjusted, if required. (ECD: 1 Oct 10)

**Recommendation 4:** Make additional payments to the 25 Air Force military personnel for the amounts underpaid for contingency operations entitlement payments.

**Management Comments:** Concur.

**Corrective Action:** Identified documents have been retrieved from long term file storage and will be audited, coded and processed, as applicable. (ECD: 1 Oct 10)

**Recommendation 5.** Collect overpayments from the 5 Air Force military personnel for the amounts overpaid for contingency operations entitlement payments.

**Management Comments:** Concur.

**Corrective Action:** Identified documents have been retrieved from long term file storage and will be audited, coded and debts established, as applicable if the amount exceeds the threshold established by DODFMR, Volume 5, Chapter 11, paragraph 110208 and Air Force Manual 65-116, Volume 1, paragraph 2.2.11.6. (ECD: 1 Oct 10)

The AFFSC POC: [REDACTED]

  
JUDY F. PERRY, Col, USAF  
Commander, AF Financial Services Center







# Inspector General Department of Defense